

# Market in Minutes

## Germany office markets

Q4 2015



### The facts at a glance

#### Take-up rises by 22% - vacancy falls to 15-year low

■ The top six office markets witnessed take-up totalling approximately 3.3 million sq m in 2015, representing an increase of almost 22% compared to the previous year. The 12-month take-up to the end of the Q4-15 rose by 6% compared with the corresponding figure to the end of Q3-15. All six markets registered higher office take-up than in the previous year.

■ Accordingly, the vacancy rate in all six markets fell significantly over the course of the year. Office vacancies across all six markets stood at an average of 6.8%, representing a decline of 90 basis points.

■ Besides the high demand, this significant decrease was attributable to reductions in office stock via demolitions and particularly changes of use, primarily to residential use.

■ While the vacancy rate fell to its lowest level since 2001, the completion volume remained in line with the previous year at almost 1 million sq m. We also do not expect any noteworthy increase in the completion volume this year and two thirds of the projected volume for 2016 is already pre-let.

■ The increasing supply shortage is also reflected in rental growth. The prime rent across all six markets rose by an average of 2.6% compared with the previous year to €28.38 per sq m/month. The average rent rose even more sharply, increasing by 9.5% year on year to €15.29 per sq m/month.

■ Overall, the trends of falling vacancy rates and rising rents are expected to continue in the current year, particularly since demand remains high and take-up is likely to remain in line with 2015 levels.

# Top six office markets at a glance

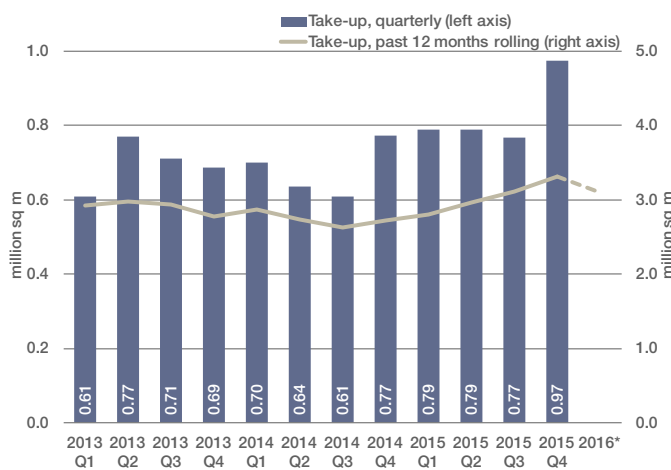
+++ Prime rent +0.9% | Average rent +1.5% | Vacancy rate -30bps +++

TABLE 1  
Key office market figures

	Take-up (sq m)			Vacancy rate (%)		Prime rent (€ per sq m/month)		Average rent (€ per sq m/month)	
	Q1-Q4 2015	against Q1-Q4 2014	against Q4 2014 - Q3 2015	Q3 2015	q-o-q change	Q3 2015	q-o-q change	Q3 2015	q-o-q change
Berlin	940,800	+20.3%	+7.1%	3.6	+/-0bps	24.30	+1.3%	14.80	+0.7%
Düsseldorf	414,600	+74.7%	+19.7%	9.9	-30bps	26.00	+/-0.0%	14.20	+1.4%
Frankfurt	392,266	+6.0%	-7.3%	10.2	-110bps	39.00	+1.3%	19.00	+2.7%
Hamburg	526,952	+3.1%	+2.1%	5.5	-40bps	25.00	+/-0.0%	14.50	+/-0.0%
Cologne	291,624	+29.6%	+9.5%	6.5	-10bps	22.00	+3.5%	13.15	+2.7%
Munich	750,516	+26.6%	+9.3%	4.7	-10bps	34.00	+/-0.0%	16.10	+1.3%
Top 6	3,316,758	+21.9%	+6.4%	6.8	-30bps	28.38	+0.9%	15.29	+1.5%

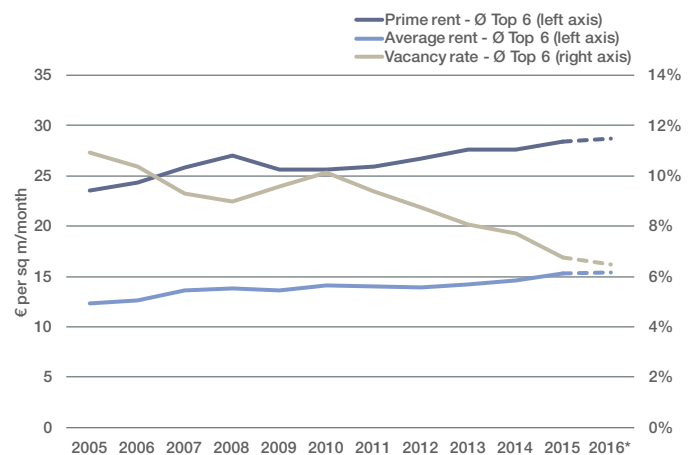
Source: Savills

GRAPH 1  
Take-up in the top 6



Source: Savills / \* forecast

GRAPH 2  
Rental levels and vacancy rate



Source: Savills / \* forecast

## Top six market in minutes

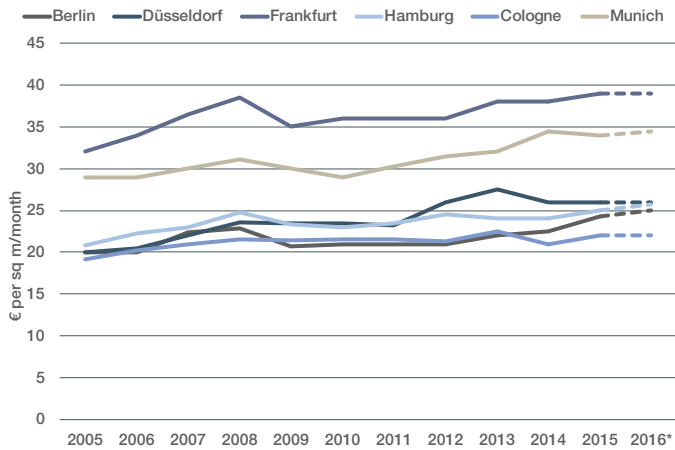
B locations are also enjoying high demand

- Office take-up across the top six markets totalled 3.3 million sq m, representing an increase of 22% compared to the previous year. Take-up over the last 12 months rose by 6% compared with the corresponding figure to the end of Q3 15. The prime rent rose by 2.6% year on year to €28.38 per sq m/month while the vacancy rate fell by 90 basis points year on year to 6.8%.
- The final quarter of 2015 made a significant contribution to the annual figure with take-up of almost 1 million sq m. The year-end total was also the highest since 2007 (almost 3.5 million sq m). Company formations and expansions were instrumental in driving the considerable take-up growth in the market.
- The combination of surplus demand in the preferred office locations and low (new-build) supply has created an opportunity for those submarkets that have only benefited modestly from the market dynamics to date. Düsseldorf Seestern and Cologne Porz/Airport even registered higher take-up last year.

# Top six office markets at a glance

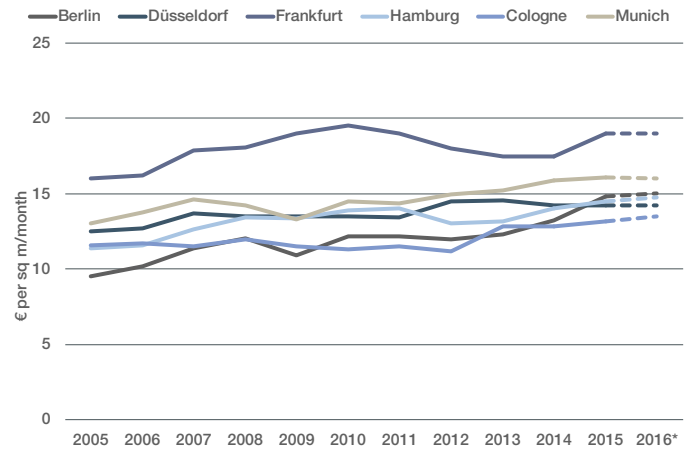
+++ Development pipeline 2016: 1.05 million sq m | Increase in employment: +1.0% +++

**GRAPH 3**  
Prime rent by location



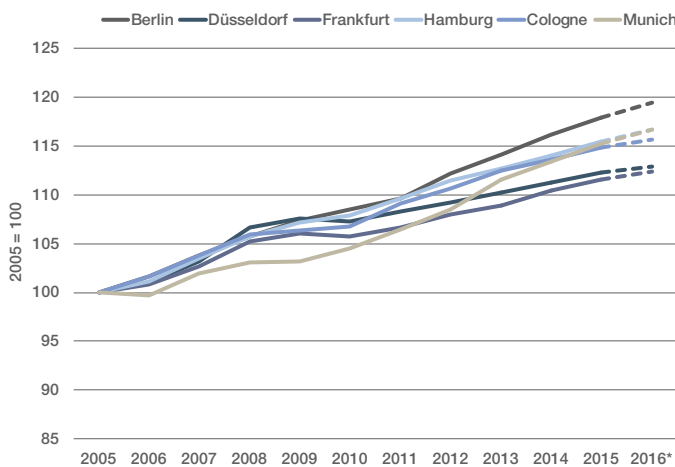
Source: Savills / \* forecast

**GRAPH 4**  
Average rent by location



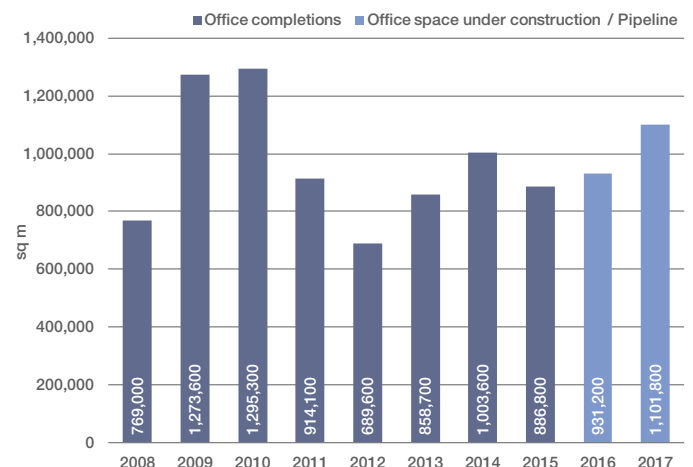
Source: Savills / \* forecast

**GRAPH 5**  
Employment trend



Source: Oxford Economics / \* forecast

**GRAPH 6**  
Development pipeline



Source: Savills

**TABLE 2**  
The largest letting transactions in Q4 2015 at a glance\*

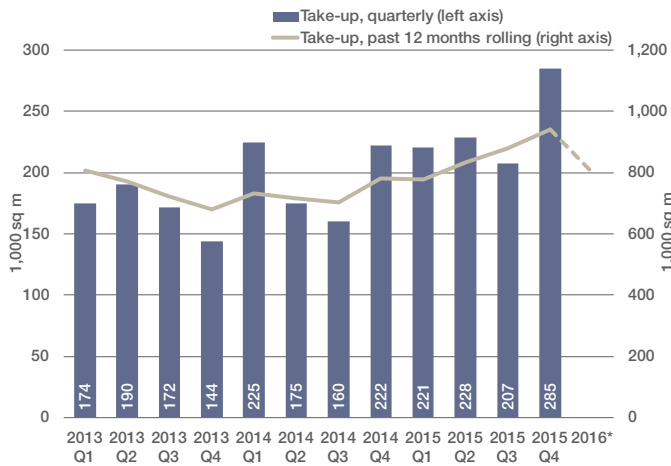
Location	Tenant	Office space (sq m)
Berlin	Allianz	approx. 47,000
Berlin	Zalando SE	approx. 42,700
Hamburg	Euler Hermes Kreditversicherungs-AG	approx. 39,000
Düsseldorf	Uniper AG	approx. 30,700
Hamburg	Commerzbank	approx. 18,500

Source: Savills / \* only published transactions are shown

# Berlin

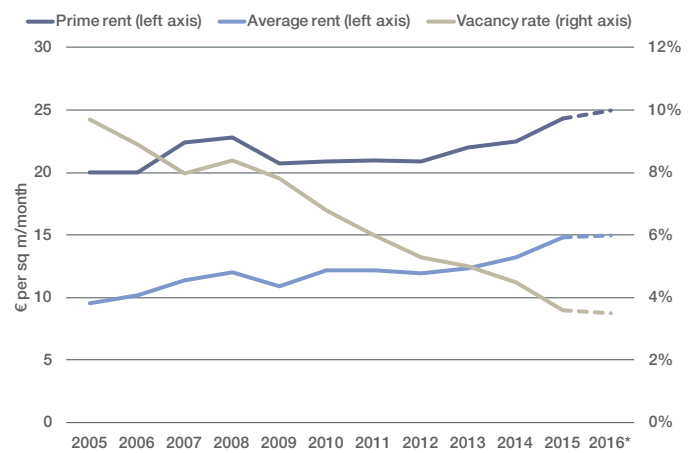
+++ Prime rent +1.3% | Average rent +0.7% | Vacancy rate +/-0bps +++

GRAPH 7  
Take-up



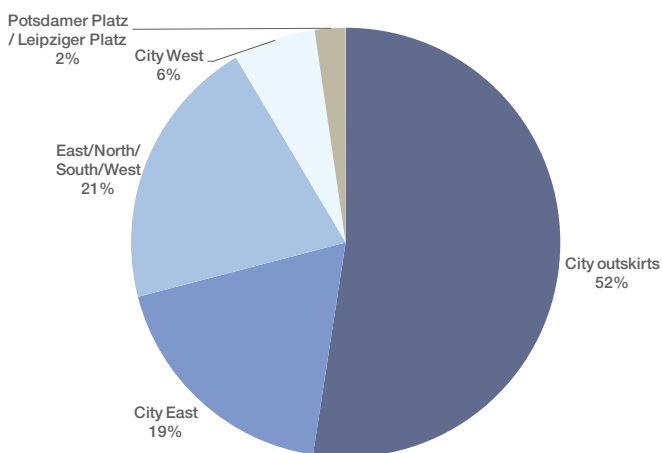
Source: Savills / \* forecast

GRAPH 8  
Rental levels and vacancy rate



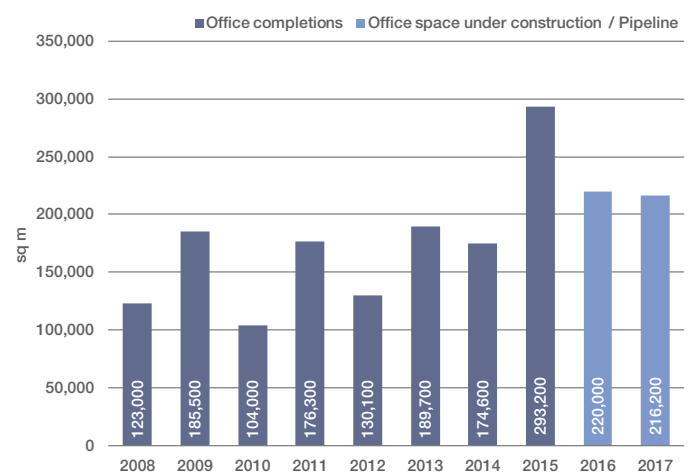
Source: Savills / \* forecast

GRAPH 9  
Take-up by submarket\*



Source: Savills / \* past 12 months

GRAPH 10  
Development pipeline



Source: Savills

## Berlin market in minutes

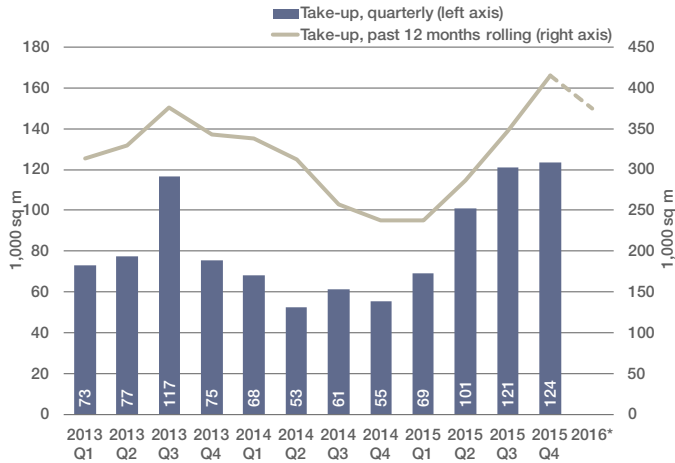
Very strong demand drives take-up and rental levels to record highs

- Office take-up in 2015 totalled 940,800 sq m (+20% year on year). Take-up over the last 12 months rose by 7% compared to the corresponding figure to the end of Q3 15. The prime rent rose by 8% year on year to €24.30 per sq m/month while the vacancy rate fell by 90 basis points year on year to 3.6%.
- The information, communication and technology sector was particularly active, accounting for 39% of take-up. Both established companies in the sector and young start-ups are seeking space in Berlin, preferably in Mitte, Tiergarten, Prenzlauer Berg and Mediaspree submarkets.
- Development activity and the associated supply of space remain significantly too low to satisfy future demand even partially. Some 220,000 sq m of new office space will come to the market in 2016, which is significantly below the average figure over the last five years of approximately 166,000 sq m.

# Düsseldorf

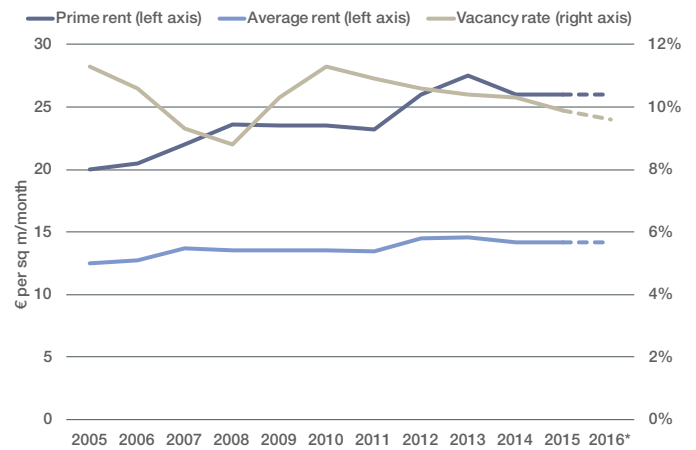
+++ Prime rent +/-0.0% | Average rent +1.4% | Vacancy rate -30bps +++

GRAPH 11  
Take-up



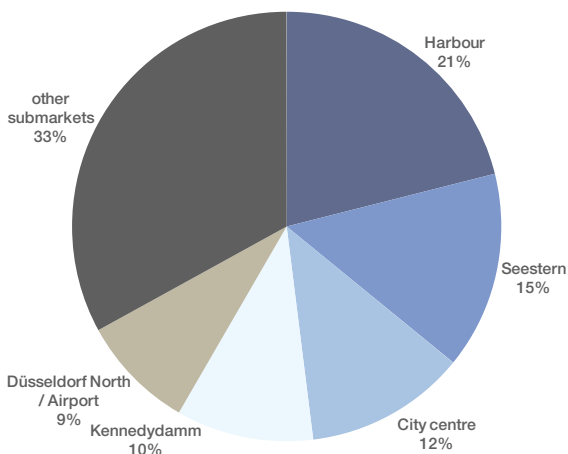
Source: Savills / \* forecast

GRAPH 12  
Rental levels and vacancy rate



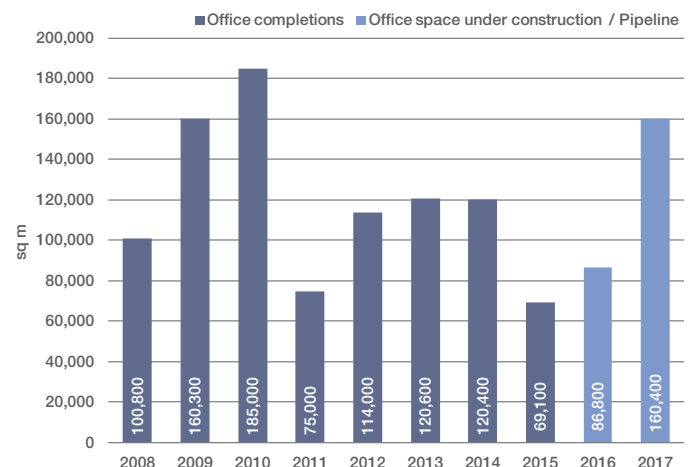
Source: Savills / \* forecast

GRAPH 13  
Take-up by submarket\*



Source: Savills / \* past 12 months

GRAPH 14  
Development pipeline



Source: Savills

## Düsseldorf market in minutes

Large deals behind the highest take-up since 2008

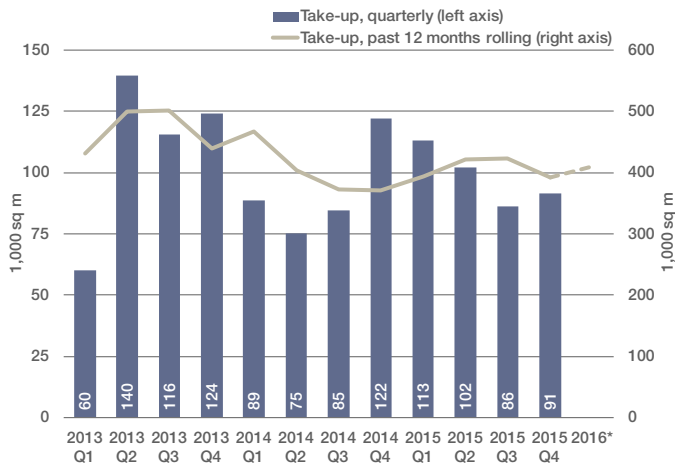
- Office take-up in 2015 totalled 414,600 sq m (+75% year on year). Take-up over the last 12 months rose by 20% compared to the corresponding figure to the end of Q3 15. The prime rent remained unchanged year on year at €26.00 per sq m/month while the vacancy rate fell by 100 basis points year on year to 9.9%.
- The substantial total take-up was primarily attributable to seven transactions above 10,000 sq m. In the previous year, there was only a solitary deal in this size category.
- The Medienhafen and Seestern districts led the submarket rankings last year, accounting for 21% and 15% of overall take-up respectively. Seestern is currently enjoying increasing popularity since the area offers modern space at attractive rents. Medienhafen has provided two large occupiers with extraordinary new-build potential, which has re-invigorated the submarket.

# Frankfurt

+++ Prime rent +1.3% | Average rent +2.7% | Vacancy rate -110bps +++

GRAPH 15

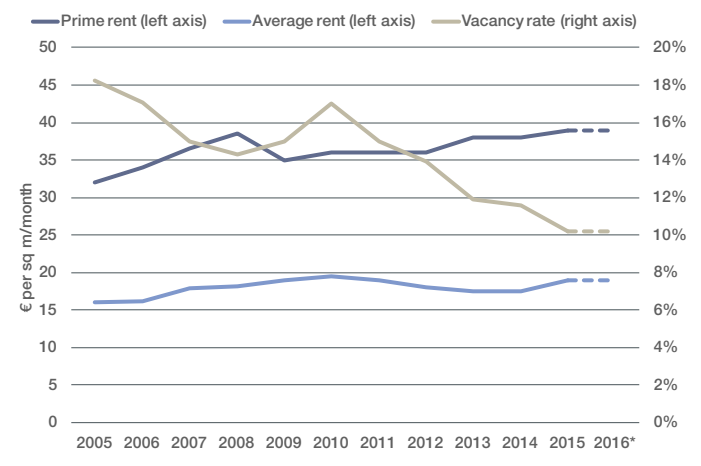
## Take-up



Source: Savills / \* forecast

GRAPH 16

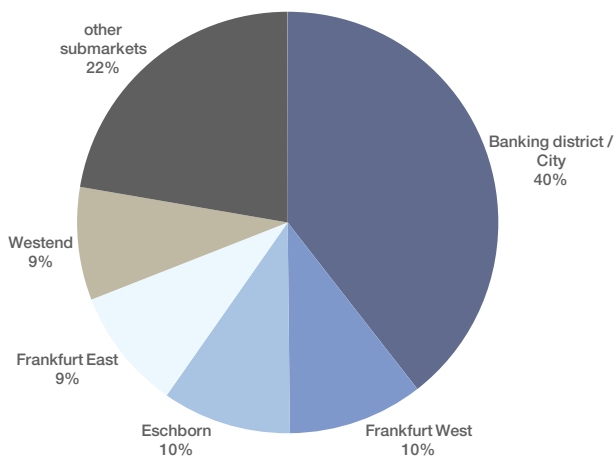
## Rental levels and vacancy rate



Source: Savills / \* forecast

GRAPH 17

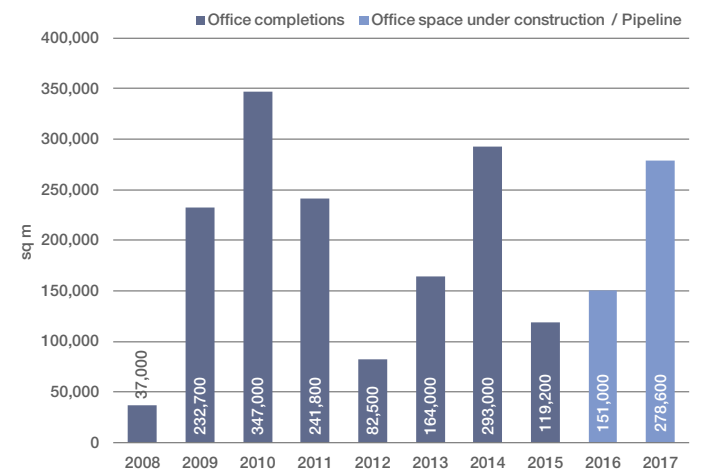
## Take-up by submarket\*



Source: Savills / \* past 12 months

GRAPH 18

## Development pipeline



Source: Savills

## Frankfurt market in minutes

Vacancy rate falls to 10.2%, the lowest level since 2002

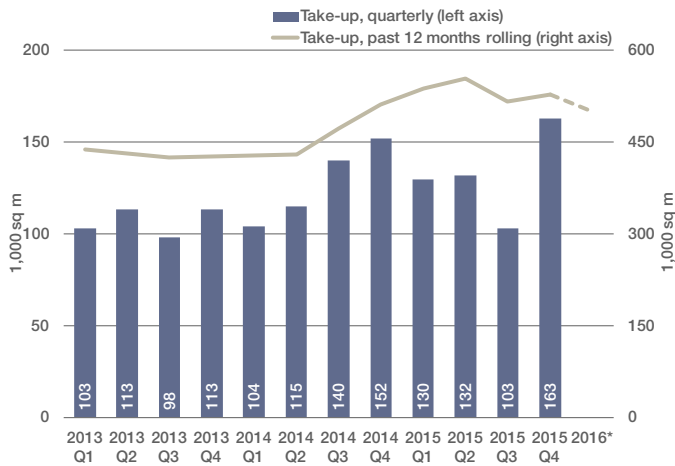
- Office take-up in 2015 totalled 392,300 sq m (+6% year on year). Take-up over the last 12 months declined by 7% compared to the corresponding figure to the end of Q3 15. The prime rent rose by 2.6% year on year to €39.00 per sq m/month while the vacancy rate fell by 140 basis points year on year to 10.2%.
- Despite there being a number of larger requirements in the market, there was only a single deal above 10,000 sq m last year. With the financial sector, a crucial pillar for Frankfurt, having largely completed its period of consolidation, there is now a lack of significant demand from the sector.
- Although the vacancy rate has fallen significantly, there is more than 200,000 sq m of existing space available in Frankfurt's financial district in the triangle formed by Neue Mainzer Straße, Taunusanlage and Junghofstraße. When new developments are added, this figure will double to some 400,000 sq m by the end of 2017.

# Hamburg

+++ Prime rent +/-0.0% | Average rent +/-0.0% | Vacancy rate -40bps +++

GRAPH 19

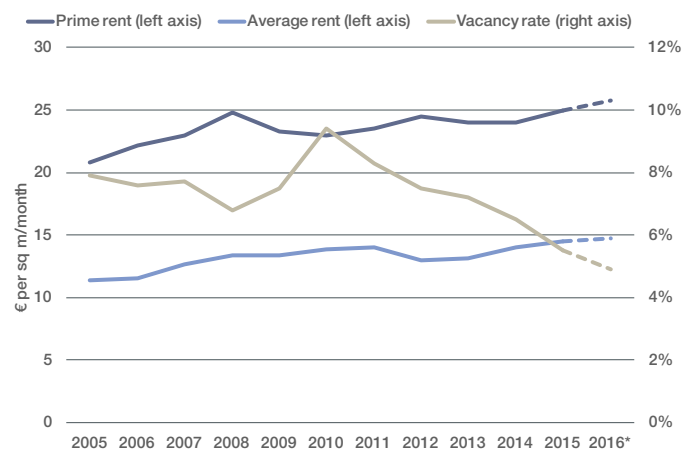
## Take-up



Source: Savills / \* forecast

GRAPH 20

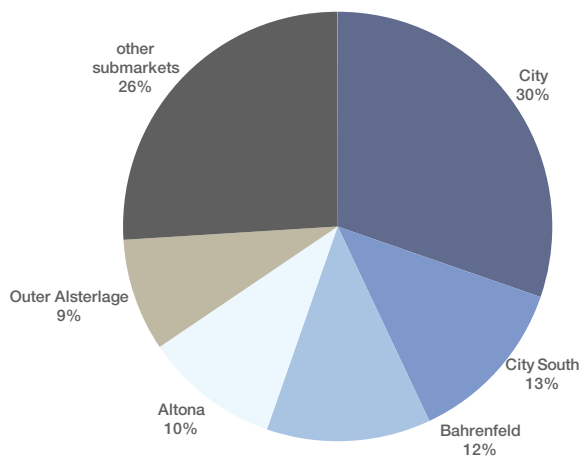
## Rental levels and vacancy rate



Source: Savills / \* forecast

GRAPH 21

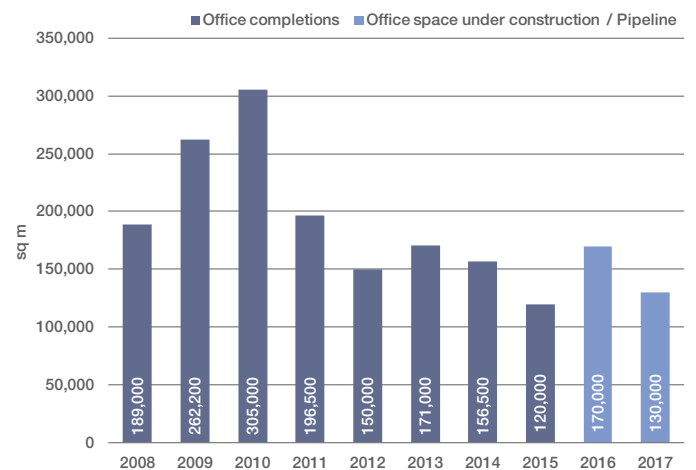
## Take-up by submarket\*



Source: Savills / \* past 12 months

GRAPH 22

## Development pipeline



Source: Savills

## Hamburg market in minutes

### Rising take-up and prime rents

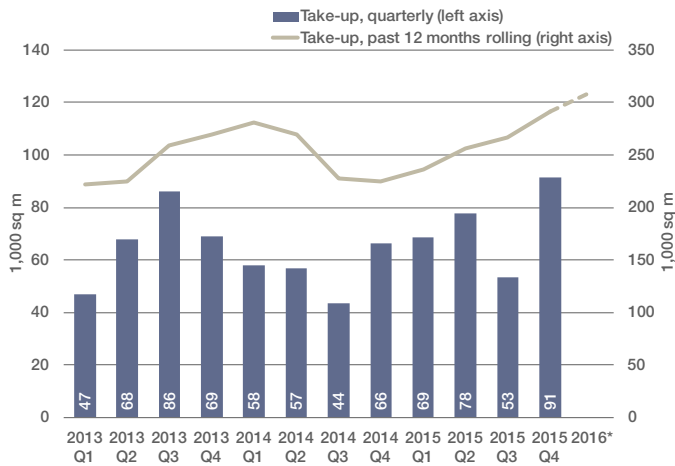
- Office take-up in 2015 totalled 527,700 sq m (+3% year on year). Take-up over the last 12 months rose by 2% compared to the corresponding figure to the end of Q3 15. The prime rent rose by 4.2% year on year to €25.00 per sq m/month while the vacancy rate fell by 100 basis points year on year to 5.5%.
- Demand for high-quality office space remained at the previous year's high level, driven by a broad mix of sectors. There was an impressive number of particularly large deals in 2015, with five leases for at least 10,000 sq m of office space completed.
- Available space, particularly in the city centre, is becoming a rare commodity. Accordingly, rents also rose, which is making non-city-centre locations more attractive even to larger companies. Submarkets close to the city centre, such as City South and Altona, represent interesting alternatives.

# Cologne

+++ Prime rent +3.5% | Average rent +2.7% | Vacancy rate -10bps +++

GRAPH 23

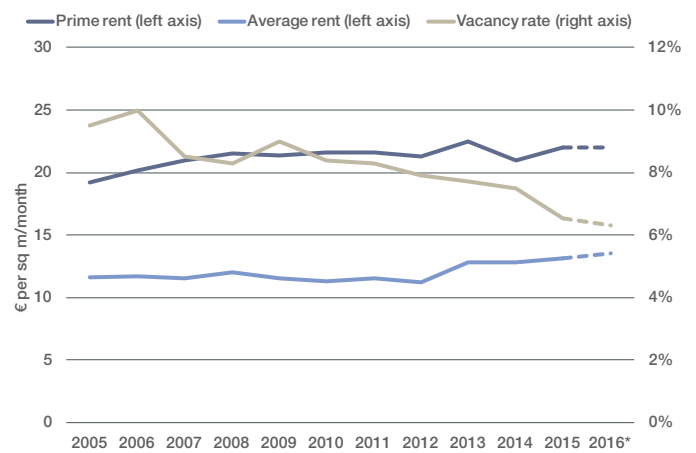
## Take-up



Source: Savills / \* forecast

GRAPH 24

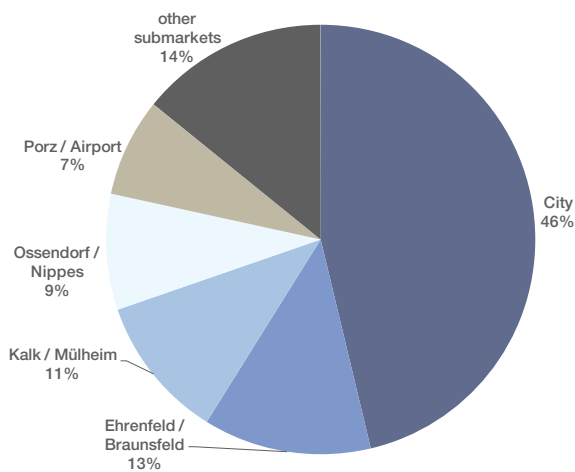
## Rental levels and vacancy rate



Source: Savills / \* forecast

GRAPH 25

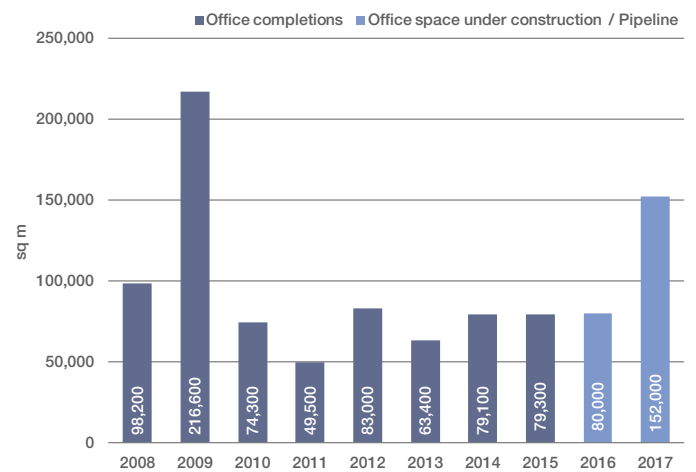
## Take-up by submarket\*



Source: Savills / \* past 12 months

GRAPH 26

## Development pipeline



Source: Savills

## Cologne market in minutes

### Prime and average rents rise significantly

- Office take-up in 2015 totalled 291,600 sq m (+30% year on year). Take-up over the last 12 months rose by 10% compared to the corresponding figure to the end of Q3 15. The prime rent rose by 4.8% year on year to €22.00 per sq m/month while the vacancy rate fell by 30 basis points year on year to 6.5%.
- Four of the six largest lettings last year were attributable to the public sector. The sector accounted for a total of more than 40,000 sq m, making a significant contribution to the increase in take-up.
- In view of the number of requirements in the market, some of them very large and many of them once again from the public sector, take-up in 2016 is expected to show a further increase on last year's figure. Likewise, the vacancy rate is expected to fall further.

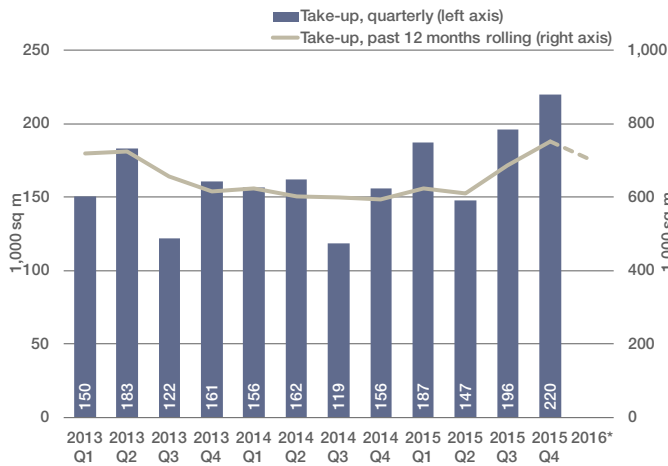


# Munich

+++ Prime rent +/-0.0% | Average rent +1.3% | Vacancy rate -10bps +++

GRAPH 27

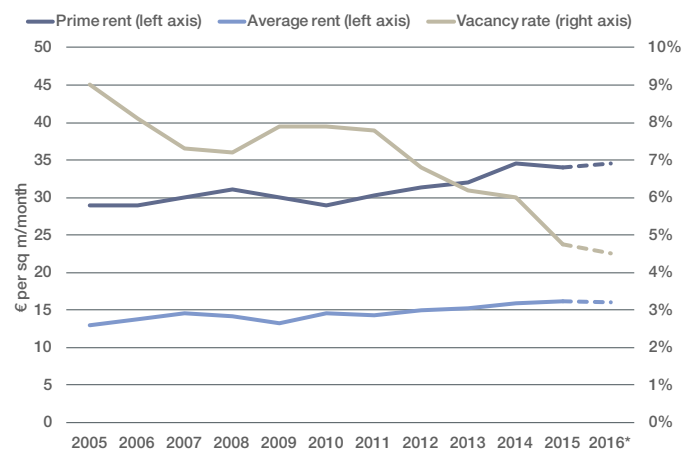
## Take-up



Source: Savills / \* forecast

GRAPH 28

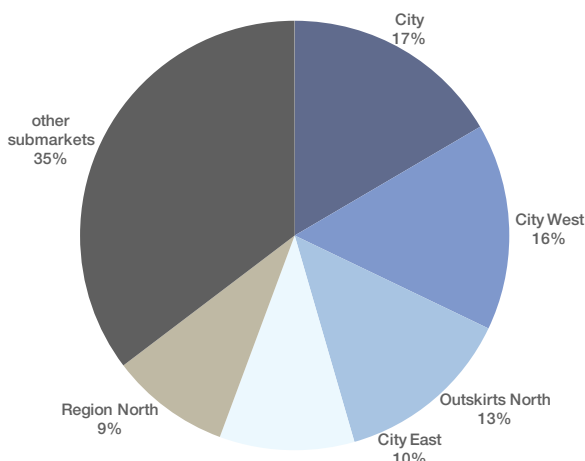
## Rental levels and vacancy rate



Source: Savills / \* forecast

GRAPH 29

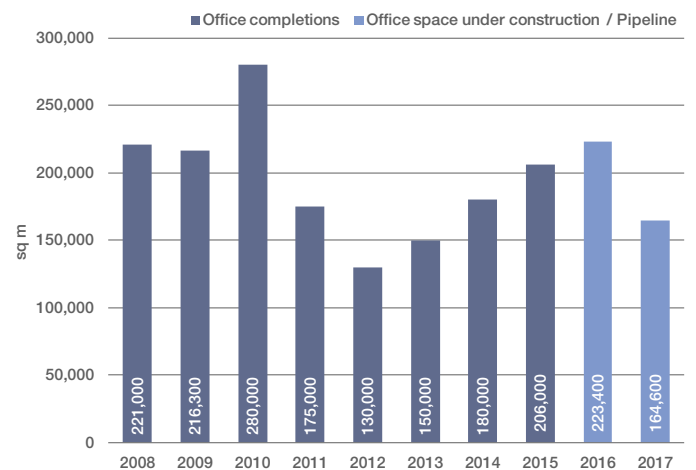
## Take-up by submarket\*



Source: Savills / \* past 12 months

GRAPH 30

## Development pipeline



Source: Savills

## Munich market in minutes

### Deals in the medium size category drive take-up to five-year high

- Office take-up in 2015 totalled 750,500 sq m (+27% year on year). Take-up over the last 12 months rose by 9% compared to the corresponding figure to the end of Q3 15. The prime rent fell by 1.4% year on year to €34.00 per sq m/month while the vacancy rate fell by 130 basis points year on year to 4.7%.
- The 1,000 sq m to 10,000 sq m size category produced around 180 deals last year, which was a third more than in the previous year. There were also numerous extensions of companies, particularly from companies in the software and IT sector - a net increase in leased space.
- Demand is also likely to remain high in the current year, resulting in similarly high take-up in 2016. The limiting factor is on the supply side. Consequently, there is likely to be a modest decline in incentives in the prime segment and a moderate increase in rents.

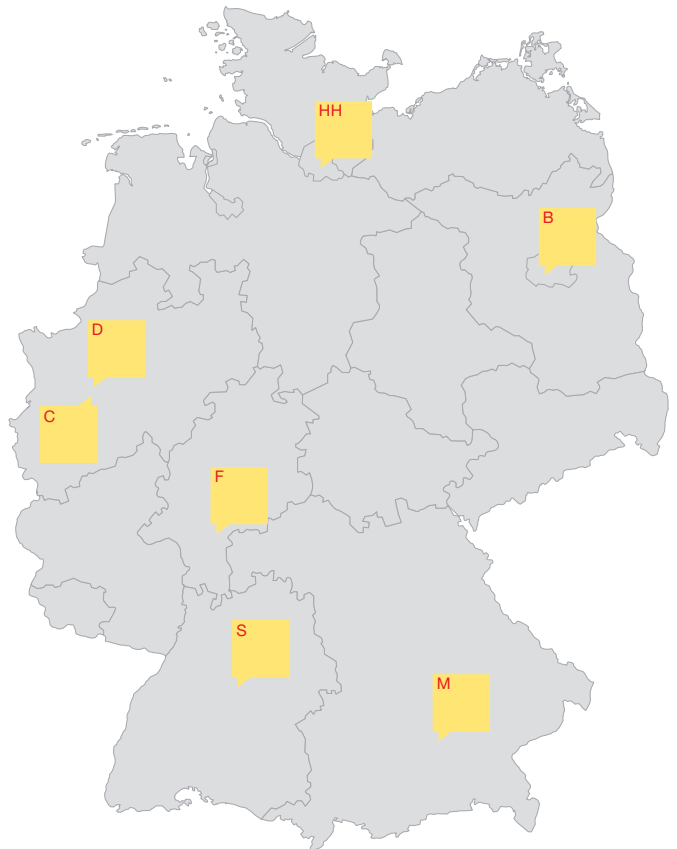
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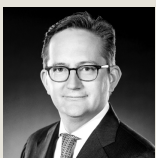
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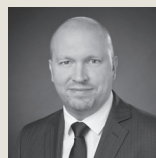
Please contact us for further information



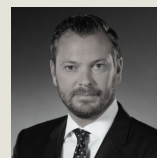
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